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**Lean Property Management:
Process Improvement and Financial Plan for TCG**

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**Lean Property Management:
Process Improvement and Financial Plan for TCG**

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Thesis

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Dedication

This thesis is dedicated to my dear husband, Ryan Crow, and my wonderful mother, Cristina Morales. Thank you for believing in me and encouraging me to do my best. I love you both so much and could not have done this without you.

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Abstract

Lean Property Management: Process Improvement and Financial Plan for TCG

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TCG is a small real estate investment and property management company that seeks to go through a lean transformation to simplify and improve its processes. The main purpose for any business developing a lean business structure is to focus organizational resources on eliminating waste and optimize business processes to become more productive.

The main objective of this thesis will be to identify problem areas in TCG's property management process and provide an improvement plan based on lean methodologies. In addition, this thesis will propose a five-year financial plan based on TCG's current financial state as well as new capital investments and process improvement goals.

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Chapter 1: Introduction

The term “Lean” stands for creating value without waste (Wiegand & Frank, 2006). Lean methods can be applied in manufacturing and business processes to improve processes and overall productivity. The implementation of lean principles requires a multi-stage analysis system to gather all essential data required to prepare for business-process optimization.

TCG is a small real estate investment and property management company that acquires, improves, and manages a portfolio of select real estate investments. Currently, TCG’s property management processes lack structure and are inefficient. TCG’s property manager manually administers all rental properties using an assortment of unconnected tools including email, telephone, and paper documents. It is evident that TCG has the opportunity to improve its processes and gain efficiency. Therefore, its property management operation should seek to go through a lean transformation to simplify and improve its processes.

This thesis will identify TCG’s property management process problem areas and provide a process improvement plan based on lean methodologies. In addition, this thesis will create a five-year financial plan based on an optimized property management process that will allow TCG to grow while maintaining the same human resources.

1.1 Objectives

The primary objectives are as follows:

1. Provide an optimized process that will allow TCG's property management operations to simplify routine procedures, manage at least one additional rental unit per year, and increase TCG's property manager's personal productivity. In order to reach this goal, this thesis delivers the following specific objectives:
 - Analyze TCG's property management current process flow and activity structure.
 - Standardize and optimize process flow and activities based on lean principles and opportunities to increase efficiency for TCG.
2. Provide a five-year financial plan based on TCG's current financial state, new capital investments, and the company's goals. In order to accomplish this objective, this thesis provides the following specific objectives:
 - Determine TCG's current financial status.
 - Examine TCG's future purchases scenarios.
 - Evaluate TCG's five-year financial plan alternative of outsourcing core, secondary and organizational property management activities to a Property Management Service Provider.
 - Assess TCG's five-year financial plan including the implementation of an online property management system.

This thesis can be divided into three main parts. First, Chapter 2 provides an overview of lean principles for business processes, the analysis of TCG's current processes and activities, and finally, process improvement recommendations. Then, Chapter 3 provides an overview of TCG's current financial status and provides a cost-benefit analysis of two important scenarios: subcontracting the entire property management operations to a third party or implementing an online property management system. Finally, Chapter 4 provides appropriate recommendations to TCG's property management operations.

1.2 Background of the Business

TCG is a small investment company that deals primarily in private equity and real estate. TCG invests in real estate through both pooled investment funds and direct ownership of property. It attempts to create value for its investors through the acquisition, improvement, and management of a portfolio of select real estate investments.

TCG's investment approach takes a moderate risk and return strategy. In the short term, the company uses rental income to subsidize mortgage payments on rental units, generate monthly cash flow and leverages all tax benefits related to depreciation and expenses. Over the long term, TCG expects to generate capital gains and earn a profit based on property improvements, ownership of a significant amount of cash-flowing properties, and long-term appreciation of capital property.

In recent years homeowner markets have been depressed across the whole country. With that, the number of rental units or rental households rose by 3.4 million

nationwide, nearly 10 percent, between 2004 and 2009. In the Southern region of the US, the number of rental properties increased by 1.2 million from 2004 to 2009. In addition, immigration is also shaping rental demand. Foreign renters increased from 17.4 percent in 2000 to 19.6 percent in 2010 (Joint Center of Housing Studies of Harvard University, 2010).

TCG's target rent formulation is based on the type and location of properties currently managed by the company and the income bracket of potential renters. TCG currently owns two duplexes and a condo located in Austin, Texas. The company's target market consists of residents in North Austin with household earnings of \$30,000 to \$50,000, assuming that tenants can afford rent up to 30 percent of their household income. Figure 1 shows an example of one of TCG's Duplex units.



Figure 1: Sample: TCG Duplex unit

As an investment real estate management company, one of the group's top priorities is to ensure that its real estate holdings are handled and managed as effectively as possible. As a result, one of TCG's owners is accountable for managing all rental properties and providing service to tenants.

TCG's property manager is not dedicated full-time to managing the company's properties, this work is a part-time job. Thus, it is important for TCG to simplify and optimize its property management processes in order to manage more properties while maintaining one person running the property management department.

Chapter 2: Lean Principles and Opportunities to Increase Efficiency

2.1 Lean Principles

Lean concepts were first applied in manufacturing and derived from Toyota Production System (Womack & Jones, 1996). Lean is now used in a wide range of services and administrative processes. In comparison with other business improvement processes such as Six Sigma, Lean relies on intuitive concepts rather than complex calculations. Lean practices are flow focused concepts designed to reduce time, process variation, and to standardize process outputs (Bradley, 2012; Nave, 2002).

The value of a service is at the center of lean practices and is always determined from the customer's point of view (Wiegand & Franck, 2006). James P. Womack and Daniel T. Jones (1996) classified activities into three types: those that add value, those that do not add value but are necessary to the business, and those that do not add value and are unnecessary. They also stated that an activity is "value added" if the following conditions are met:

- The activity performed must create value such that a customer is willing to pay for it
- The product or service must change in form, fit, or function as a result of the activity
- The activity must be performed correctly the first time

From a value creation stand point, TCG's property management processes directly impact what is valuable from its customer's perspective. TCG's customers are its own investors and tenants. Investors value that TCG maintains all properties at or near 100% occupancy and at the highest achievable rent while maintaining the integrity of the asset. TCG's tenants value a well maintained place to live in and receive proper attention to their immediate needs.

Implementing lean practices in organizations is about taking them from an "as-is" state to a future state. Lean's approach for improving processes is similar to Six Sigma's Methodology - *Define, measure, analyze, improve, and control is used with Six Sigma methodology* (Bradley, 2012). Based on the workbook *Lean Administration I* written by Bodo Wiegand and Phillip Franck (2006), the steps used to analyze and transform TCG's property management operations to a lean process are as follows:

1. Create a current state process map
2. Develop an Activity Structure Analysis and evaluate each individual activity looking for ways to reduce wasted time or effort
3. Create a future state process map that reflect the process improvements
4. Create a process improvement plan (Bradley, 2012)
5. Implement the improvements
6. Audit the process periodically
7. Repeat the steps above

Organizations may use visuals aids to identify performance issues and determine root causes of a problem. Visual management is a lean tool that can provide an effective way to highlight key tasks or important aspects of a process. Documenting process flows

allows the organization to follow a standard process and recognize process improvements (Sarkar, 2007).

An essential part of implementing lean principles to administrative processes is acquiring the ability to recognize and reduce as much waste as possible (Locher, 2011). One of the key objectives of applying lean principles is to take time out of a process. To do this, it is essential to identify the category of activities that generally are non-value-added. Based on James Bradley's book, *Improving Business Performance with Lean*, listed below are the categories also known as the seven wastes:

1. Unnecessary Transportation: Transportation between process steps is a non-value-added activity. While transportation is required, it should be minimized. For example: Exchange of data between the parties at different steps (i.e. Processing lease agreements, processing invoices, or processing maintenance requests).
2. Inventory: Inventory can be at the end of the process or between processing steps.
3. Wasted Motion: Remove unnecessary motion from the office operations and improve the flow of the workplace. Motion problems can be identified by using spaghetti diagrams.
4. Waiting: This is the time when the worker or manager is waiting for the next value-add activity, usually between process steps.
5. Overproduction: In any process overproduction results in wasted time and resources. The objective is to meet what the customer expects at the time is expected.
6. Overprocessing: This waste can be thought of as providing a service or part of a service that is not valued by the customer. Services that are unnecessary or redundant should be eliminated.

7. Defects: An error made in the execution of administrative processes causes excess cost and effort because defective products must be reworked.

The business environment is rarely predictable so it is important to make sure the processes a business does have control over are as predictable and reliable as possible. Process variation can be a significant problem resulting in excess effort and/or cost (Locher, 2011). There are two main aspects of reducing process variation. First, improve product and/or service outcome by reducing variation in how a process is executed. Second, reducing variation in process execution to lower the variation in how long it takes to perform the process (Bradley, 2012).

Business organizations have achieved success by practicing Lean for business improvements. Lean is not only an enabler for achieving process improvements but also helps to bring flexibility in the way operations are managed (Sarkar, 2007). Here are some success stories of business organizations that have adopted lean principles:

- Supply Chain: Tesco, a global merchandise retailer and supply chain organization, applies lean principles to simplify business processes and information systems. Tesco's lean supply chain processes allow the company to be able to open new stores and adapt to local market conditions quickly. Daily consumption and replenishment signals are designed to reduce inventory, handling and product shortages (Bell & Orzen, 2011).
- Healthcare: ThedaCare, a five-hospital system in northeastern Wisconsin, redesigned healthcare services by applying lean principles and building a culture

of continuous improvement (Toussaint, 2012). ThedaCare's lean practices impacted the following healthcare processes:

- Healthcare processes designed around the needs of the patient, not the convenience of insurance companies or doctors.
- Healthcare service quality and cost are made transparent and published in a way that people understand.
- Payment is made for health outcomes and not for procedures.

Lean methodologies use commonsense practices in order to make work simple enough to understand, execute, and manage. However, organizations may have to overcome some challenges when applying lean principles. The following are some of the challenges:

- Limited understanding of lean principles: Lean must never be seen as a tool for headcount or forced cost reduction. The main purpose of Lean is to create value through eliminating waste (Sarkar, 2007).
- Business processes are not visible: Unlike manufacturing, business processes and wastes are often not visible. As a result, it is harder to identify process gaps, work-around processes, and idle time. Because business processes are not tangible they can be interpreted in different ways even by members within the same organization. For example, sales and marketing organizations may resist applying lean principles because they believe that “no customer is the same” or “no sales situation is alike” (Locher, 2011).

- Implementation of lean requires a holistic approach: Processes in service companies often operate within organizational silos. Applying lean principles on a few services could deliver limited benefits. The principles of lean should be applied to the entire process and solutions to fully benefit from the process improvements (Sarkar, 2007).
- Business process size and complexity: The size and complexity of a process will impact the ability of an organization to understand the process. Complex processes often lack definition and people may overlook important steps because of a lack of understanding. It is important for an organization to know what steps are required and for the end-to-end ownership to be able to standardize and improve the end-to-end process (Wiegand & Frank, 2006).
- Business processes may be technology dependent: Organizations often face technology issues, inflexible infrastructure, poor data integrity, etc. Technology issues have a great impact on business improvements (Sarkar, 2007).
- Limited performance by outside suppliers: Services provided by an outside source may vary in quality and timeliness. It is important for an organization to select service providers that provide consistent quality and service performance. When outsourcing services, it is helpful to establish a long-term relationship with the service provider. Long-lasting partnerships will allow the business to maintain stable and predictable processes and the ability to implement process improvements (Locher, 2011).

While organizations embarking on a “Lean” journey will have different challenges based on their particular set of circumstances, they can overcome these obstacles by involving their employees in the improvement process. Employee’s involvement consists of defining the process steps, developing a standard process, identifying process improvement opportunities, agreeing on a standard process, and owning the process and continuous process improvement plan (Bradley, 2012).

Organizations must seek out and enforce training on lean principles, as well as commit to continued education. As quoted by Debashis Sarkar in *Lean for Service Organizations and Offices* (2007), a sustainable lean process system demonstrates some or all of the following features:

- “A vision and strategy aligned with companies priorities
- Better use of technology that allows integration, standardization, and knowledge transfer of administrative documentation and data
- Incentive systems that support personnel’s accountability and responsibility
- Define and establish quality and safety standards
- Desire of innovation and process changes are a means to continuously improve service outcomes
- Flexible process structure centered on the needs of the customer” (Sarkar, 2007)

For TCG, a lean business structure will allow organize and streamline property management processes, minimize wasteful activities, and improve business productivity. However, the implementation of lean is not a one-time effort, it is a continuous journey. It is important to assess business processes on a regular basis to ascertain progress. The

gaps found in the assessment are the process improvement opportunities that the organization needs to work on next.

2.2 TCG Business Process Analysis

The introduction of lean methodologies in TGC's property management processes will lead to a number of changes, because improving business processes always involves change.

Optimizing business processes requires that every task must be analyzed, standardized, and later on optimized (Locher, 2011). Once in place, the biggest challenge then is to make sure the new processes is followed.

2.2.1 Process and Activity Structure Analysis

A detailed process and activity structure analysis is required to determine the business's current state. Process mapping is often used to capture the current state of the process workflow, including value-add and non-value-add activities (Wiegand & Franck, 2006). Creating a process map is simply to break down any operation into a series of interconnected steps. In effect a current state process map shows exactly how the business operates and how any particular business process progresses from the very start of the process to its end (Locher, 2011).

TCG's end-to-end property management process cycle starts with a vacant unit ready for rent and ends with a tenant moving out and getting the unoccupied unit ready for rent again. This process is the same for every property.

TCG's current state process flow, shown in *Appendix A*, summarizes all business processes as they are now and can be used to construct a future state process describing the processes once "leaning" has taken place. Currently, TCG's present property management processes lack structure and consistency resulting in inefficient and unreliable business processes.

While documenting a process, it is most often the case that opportunities for improving the process are immediately recognized. Nevertheless, it is necessary to evaluate each individual activity that the project manager performs and identify problem areas or opportunities for reducing time and effort. Based on the activity structure analysis methodology explained in *Lean Administration I* written by Bodo Wiegand and Philip Franck, TCG's activity analysis considerations are as follows:

- Business occurrence type: It describes the actual performance of the defined activities, e.g. Maintenance and Repair.
- Number of occurrences per year (frequency): This is how often the respective process is repeated. TCG's frequency analysis is based on two years of historical data (Tenant turnover, maintenance reports, and end-of-year reports).
- Time taken per occurrence in hours: This is the time expenditure that the property manager more or less required per process (average value). (Wiegand & Franck, 2006)

In addition, all activities were categorized in terms of their significance for value creation. Again, value is determined from the customer's point of view. Core activities

(C) are derived from the primary purpose of service (critical value-added activities). Secondary activities (S) are additional activities that are directly related to the company's purpose (non-value-added activities, but necessary for the business). And, organizational activities (O) are general office activities that are a waste from the point of view of process-based value creation (Wiegand & Franck, 2006).

All activities analyzed in *Appendix B* correspond to the process steps from the current state process map analysis. Over a period of six weeks, daily activities were measured and documented in terms of business occurrence type, frequency and time expenditure. Likewise, infrequent activities were examined and logged based on past experience. On this basis, it was possible to estimate a realistic total annual number of activities, their frequency and time spent.

The distribution of time spent by activity type helps identify the percentage of activities that add insufficient value (secondary and organizational activities) (Wiegand & Franck, 2006). TCG's time distribution is shown in *Figure 2*.

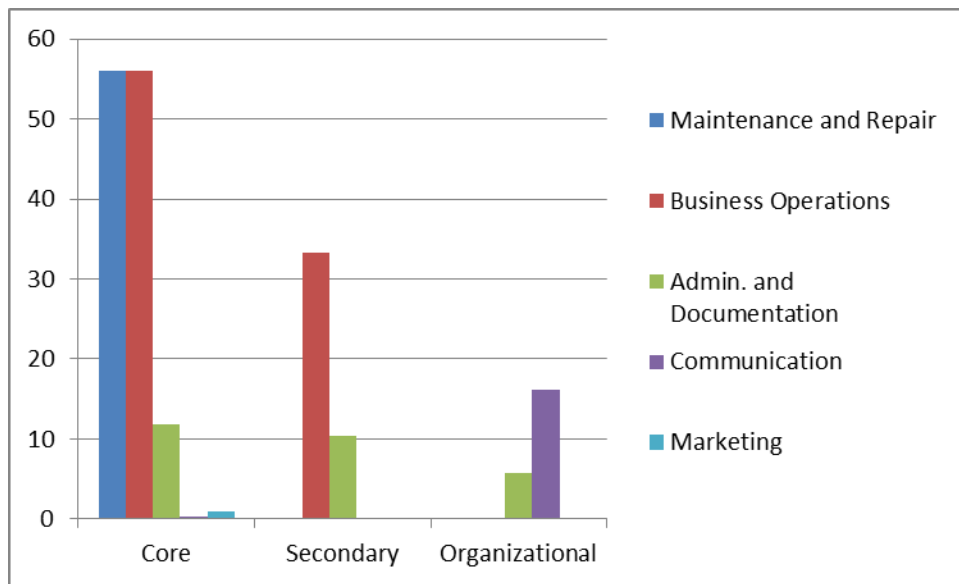


Figure 2: TCG Activity Types and Time distribution

2.2.2 Labor Assessment: Full-Time Worker, Part-Time Landlord

Since 2008, TCG's property manager has taken a do-it-yourself approach to save money and learn the ropes of property management firsthand. This approach has been successful mainly because TCG manages a relatively small number of tenants and the properties are located a reasonable distance from the property manager's residence. However, the property manager is not dedicated full time to managing properties. Managing properties is a part-time job, mostly in the evenings and weekends. Simply put, the property manager's schedule is driven by customer demand and does not know the total number of hours expected to work each week. However, TCG's property manager does know the total amount of hours he/she is available each week.

Taking into consideration the property manager's full-time job and personal responsibilities, the maximum amount of time the property manager can commit to TCG is 10 hours per week. So why is this important for TCG's process analysis? The relevance is in knowing the scheduled hours the property manager is expected to complete a particular activity (Locher, 2011). Today, TCG's property manager expects to work on average about 4 hours per week designated as effective working time. Effective working time is merely the time the property management department is "open for business" (Bradley, 2012). TCG's Activity Structure Analysis (*Appendix B*), takes into account the time expenditure of each activity and most importantly the frequency of such activity. Therefore, if TCG's current process stayed the same and if TCG were to purchase more rental units, it would be reasonable to expect that the frequency of management activities would increase as well. Accordingly, if the property manager were to manage double the rental units he/she manages today, the total amount spent per week should double as well.

2.2.3 Online property management system: TCGP

TCG is ready to take a more systematic approach by implementing an online property management system. TCG Portal (TCGP) will be a one-stop portal that will help TCG's property manager with most administrative tasks. It will consist of a simple web-based tool designed specifically to help TCG simplify its routine procedures and thus manage more properties effectively, eliminating time-consuming administrative tasks and streamlining operations processes.

The implementation of TCGP will directly impact current administrative and documentation and communication activities. Today, the property manager spends, on average, 44 hours per year on these activities. This is about 23% of the total time per year (*Figure 3*). Based on preliminary trials, TCGP is expected to reduce time spent by 40% once a standard process is defined and in place.

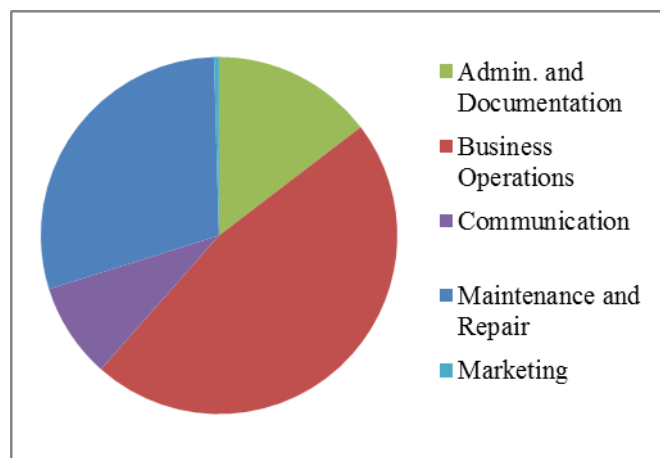


Figure 3: TCG activities' business occurrence breakdown

TCGP will allow web-based access for the property manager to all data, lease agreements, reports, and incidents for every property, as well as tenant's information and rental payments for every property. It will be created to support multiple properties and multiple tenants. User permissions will be controlled and specified by the manager, so that tenants will be able to access only data related to their own rental unit.

Using TCGP will be like having a “24/7” online management office for tenants and investors. *Table 1* provides a brief illustration of the features and benefits that TCGP will provide to the property manager and tenants.

Table 1: TCG features for managers and tenants

Property Manager	Tenant
<ul style="list-style-type: none"> • Admin Portal • Ability to update and upload lease contract(s) • Invoicing and payment tracking • Maintenance cost and repair history and tracking • Ability to send notifications to all tenants or a specific tenant • Ability to announce rental availability • Automate lease-related processes and invoicing and lease renewal alerts • Reporting • Archive documents, reports, etc. 	<ul style="list-style-type: none"> • Customer portal • Ability to access signed lease contract online • Ability to request a lease extension online • Ability to access and review account balance information • Ability to do electronic/online payments • Ability to submit maintenance requests • Ability to send comments to property manager

TCGP will significantly improve the ability to track and keep accurate records and documents. Keeping accurate records will be useful when filing taxes, to ward off any discrimination claims, misunderstandings regarding a property’s condition, payment disputes, and other issues that may come up (Lederer, 2009). The property manager will be able to run and access reports. Having information readily available when needed

makes report management and searching easier and faster. The documents and reports that will be available in TCG are as follow:

1. Individual resident account information: Tenant's personal information (address, phone number, pets, emergency contact, and so on), monthly statements, balance due, and payment history.
2. Rental income: Rental monthly payments
3. Expense reports: TCG's property manager will document all operating expenses. Maintenance expense documentation will include: date of service, unit's address, tenant's name, total cost, expense category (Repair or Renovation), description, service category (Appliance repair/replacement, Plumbing/Electrical, A/C, Exterior, and Miscellaneous), warranty information (if applicable), service provider's information, and if the damage was caused by the tenant.
4. Net rental income: Every month, all the expenses incurred on any rental property will be deducted from the gross rental income paid by the tenant to calculate the net rental income amount. Typical expenses are repair costs and service charges.
5. TCG's monthly mortgage payments: The property manager can log all monthly costs and expenses including the mortgage payment.
6. Total Cash Flow (TCF): Net income or monthly rent income minus all ongoing expenses associated with the property. Property mortgage, tax, insurance, and repairs must be deducted from the net income to arrive at total cash flow
7. Rental yield: Rental yield is a measure of the profitability of the investment. It is calculated using the following formula: $\text{Rental Yield} = (\text{Net Rent} \times 12 / \text{Purchase price}) \times 100$. The higher the rental yield, the better the return on investment (Proptertydo.com, 2012).
8. Maintenance and renovation history reports: All tenants will have the option to place a maintenance/repair request either by calling the property manager or by submitting a request online.

Both request methods will be logged and tracked in the TCGP maintenance sections. All phone requests will be logged and updated in the TCGP Maintenance list by the property manager as needed.

9. Maintaining Records and Generating Reports: TCG's Property Manager must keep a record of all transactions, including renewing the lease agreement, sending an eviction notice, keeping track of rent payments, and late payment notifications.
10. Lease agreements and contract archive: All contracts (active and inactive) will be archived in TCGP. The property manager will be able to access all documents while tenants will access only their latest signed individual rental agreements.
11. Additional document management in a centralized data repository: The property manager will be able to save and store all documents related to each property. These documents can be photographs, historical documents, old lease agreements, appraisal documents, data, and information associated with a real estate portfolio.

2.3 Process Improvement Plan

The objective of this thesis is to provide a proposal to optimize TCG's property management organization that will simplify routine procedures. Detailed process information provides the foundation on which to build process improvements.

All types of activities may present opportunities to improve a process. Based on the information obtained with the process and activities analysis, the process improvement plan for TCG is as follows:

1. List available/vacant unit on craigslist.com and local newspaper

Current issues:

- Overprocessing
- Process variation in how long process steps take to perform

Process Improvement plan:

- Outsource all marketing activities to a Property Management Service Provider.

2. Determine lease agreement conditions

Current issues:

- Process variation in how the process is executed

Process Improvement plan:

- Determine the lease agreement criteria in advance. New contract criteria will include: Price, payment structure, lease term and extensions, maximum allowed pets.

3. Property showings

Current issues:

- Process variation in how long process steps take to perform and safety concerns

Process Improvement plan:

- Outsource all marketing activities to a Property Management Service Provider.

4. Approve selected qualified tenant

Current issues:

- Process variation in how the process is executed

Process Improvement plan:

- Pre-define tenant's acceptance criteria: Job status, references, credit and criminal history
- Interview prospect tenant before signing the lease agreement.

Note: Even though, a Property Management Service Provider takes care of finding a qualified tenant, it is in TCG's best interest to conduct an interview before approving a tenant.

5. Archive and maintain Lease Agreements

Current issues:

- Overprocessing

- Disorganized
- Waiting (waste)

Process Improvement plan:

- Upload and maintain signed Lease Agreements in TCGP.
- Archive “inactive” Contracts in TCGP.

This process will avoid providing a redundant hard copy of a document when an electronic copy would suffice.

6. Manage Renewal leases

Current issues:

- Process variation in how long process steps take to perform
- Time-consuming activity
- Room for error (Defects)

Process Improvement plan:

- Create a Lease Renewal Agreement template. This form makes provision for rental increase although other terms and conditions remain the same. If lease conditions need to change, a new Lease Agreement will be issued (Use New Lease Agreement template).
- Set up renewal data alerts in TCGP and property manager’s calendar.
- Send out automatic notifications via TCGP
- Upload signed Lease Renewal Agreement in TCGP.

7. First and final walk-through with tenant

Current issues:

- Process variation in how the process is executed
- Process variation in how long process steps take to perform

Process Improvement plan:

- Create and upload a “Move-In/Move-Out” inspection checklist in TCGP. This checklist will be used to record the condition of the rental unit upon moving in and moving out.
- Property manager must print the checklist and bring it the day of the walk-throughs.

- The checklist shall be filled out in the presence of the property manager and the tenant. For each line item, either check “ok” or describe any persistent problem present.
- Property manager shall take pictures (interior and exterior) of the rental unit upon moving in and moving out.
- Property manager shall upload the signed and dated inspection checklist in TCGP.

8. Document and archive property condition

Current issues:

- Process variation in how the process is executed
- Disorganized, waiting waste

Process Improvement plan:

- Take pictures of every rental unit upon moving in and moving out. No exceptions.
- Upload “before” and “after” pictures in TCGP. Tenant and property manager shall have access to these pictures online any time.

9. Respond to tenants questions (general information)

Current issues:

- Overprocessing
- Time-consuming activity

Process Improvement plan:

- Tenants will be encouraged to send any questions or concerns via TCGP. However, if a tenant needs to talk to the property manager that will be acceptable.

10. Receive and manage Tenant's maintenance/repair requests

Current issues:

- Process variation in how the process is executed
- Hard to document

Process Improvement plan:

- All tenants will have the option to place a repair/service request either by calling the property manager or by submitting a request online. Both request methods will be logged and tracked in the TCGP maintenance

sections. Also, all phone requests will be logged and updated in the TCGP Maintenance list by the property manager as needed.

- New requests will be marked as “pending” until the property manager acknowledges the request. Once the request is acknowledge, the status of the request will move to “in progress.”
- Once the service is complete, the property manager shall update the status to “complete” and record the date.

11. Track and document maintenance and renovation expenses

Current issues:

- Process variation in how long process steps take to perform
- Time-consuming activity
- Room for error

Process Improvement plan:

- This process is about recording the expense right the first time and straightaway. Track and document each repair/reno/service expense in TCGP’s expense tracker as soon as the service is complete and paid for.
- For each expense, the property manager shall document the date, unit, total cost, expense category (Repair or Renovation), description, service category (Appliance repair/replacement, Plumbing/Electrical, A/C, Exterior, and Miscellaneous), warranty information (if applicable), service provider’s information, and if the damage was caused by the tenant.
- Scan and upload receipts and itemized bills for all expenses in TCGP.
- It is important to document these details promptly. This will eliminate wasting time looking for old receipts, missing information, etc.

12. Collect/ verify rental payments from Tenants and manage late fee charges

Current issues:

- Process variation in how the process is executed
- Time-consuming activity

Process Improvement plan:

- All tenants will have the option to pay online (TCGP). TCGP will send an email notification to the property manager when a payment has been made. Also, the payment will be recorded in TCGP.

- Tenants who do not pay online, will be required to set up automatic recurring monthly payments. They can use their Bank's bill-pay or auto-pay service. (Note: The property manager may allow some exceptions).
- The property manager will check the mail on the 2nd and 4th days of the month and will record any checks received on that day in TCGP.
- The property manager will log a late fee in TCGP when rent is not paid by the 2nd day of the month and the tenant is not set up for automating monthly payments.
- Once the late fee is recorded in TCGP, TCGP will automatically send an email notification and Invoice to the tenant.
- Tenant will be able to pay any balances online.
- All notifications and payments will be recorded in TCGP.

13. Provide rental payment receipts

Current issues:

- Process variation in how the process is executed

Process Improvement plan:

- Always provide an electronic rental payment receipts
- Once a tenant pays rent online, or the property manager records a payment, TCGP will automatically send an email notification to the tenant.

14. Manage and document security deposit refunds

Current issues:

- Process variation in how the process is executed
- Room for error

Process Improvement plan:

- Create a "Security Deposit Refund" letter template and post it in TCGP. That way the property manager can download it, add specific details, print it and mail it to the tenant.
- Pull the list of expenses due to damage repairs caused by the tenant. TCGP's Expense Tracker should already have this information.
- Create an itemized list of all repair expenses due to damages caused by the tenant and add them to the "Security Deposit Refund" letter template.

- Mail the letter and refund check (if applicable) within 30 days after the tenant moves out and only if the tenant gives the landlord the tenant's forwarding address in writing.
- Archive a copy of this letter in TCGP.

15. End of year operation expense and income report

Current issues:

- Process variation in how the process is executed
- Motion Waste
- Waiting

Process Improvement plan:

- TCG's Property Manager must record of all transactions as they occur. That way at the end of year, the information will be readily available.

TCG's future state process map as shown in *Appendix D* captures the process improvements listed above. TCG's current state process is disorganized and does not provide predictable outcomes. In contrast with TCG's current state process, the future state process map frees up capacity as waste is eliminated and processes streamlined.

Chapter 3: Financial Analysis

This chapter focuses on understanding TCG's current financial situation, and evaluating different scenarios that will allow TCG make educated decisions in terms of cost and value to the company.

Scenario 1 concentrates on TCG's buying potential. TCG's current aspiration is to acquire investment properties over the next five years. It is important to evaluate when the purchases will be financially feasible. Scenario 2 analyzes the possibility of hiring a Property Management Service Provider to perform all property management tasks (full service provider). Finally, Scenario 3 examines when it would make financial sense to invest in TCGP.

3.1 Current Financial State

Appendix E shows the summary of TCG's current and expected rental income, investor's contributions, expenses, purchases, and capital investments in 2012. TCG's 2012 cash flow in Q1 was negative, but Q2 and Q3 are projected to be slightly positive. TCG purchased a property in November of 2011, with a down payment of 25,500. In addition, during the first quarter of 2012, the company made a capital investment of \$7,500 reducing the net change in cash to negative \$8,434. During the second and third quarters, TCG is expected to have a slightly positive cash flow and should anticipate a small recovery towards the end of the year.

TCG brings in capital from individual investors. Each investor contributes a fixed amount every month with the goal of accumulating funds to cover for unexpected expenses and to save capital for future purchases. The total income in 2012, including rental income and investors' contributions, will be \$60,220 and total expenses are expected to be \$65,901 (shown in *Appendix E*). If this were to cause a negative cash flow balance, TCG would be forced to raise capital. In order to raise the capital, TCG would have to get a short-term loan which is typically at a high interest rate. This could have an adverse effect on the company's long-term yield.

3.2 Assumptions and Scenario Analysis

The following scenarios have been calculated based on the following assumptions and considerations:

- TCG has six investors. However, one of them is leaving the company. TCG's payout schedule to this investor is \$5,750 dollars each year for 3 more years. All investors contribute a fixed amount of money every month (\$100 to \$300 dollars).
- TCG currently owns and manages two duplexes and one condo. As a result, TCG's property manager oversees 5 distinct units (and tenants).
- Future property purchases will be duplexes. Expected purchase price is approximately \$130,000 dollars per duplex.
- Mortgage payments calculations are based on a purchase price of \$130,000, loan amount of \$104,000, 20% down payment, and 5.75% interest rate.

- Vacancy allowance rate is 5% of rental income per year. This assumption is based on historical data of TCG's current five rental units.
- Rent increase rate of 1% per year.
- Only one property, the condo, pays for HOA fees (\$2,520 dollars per year).

3.2.1 Scenario 1: Future Property Purchases

TCG would like to continue purchasing properties and increase the amount of rental units. The strategy is to buy properties for their current market value but with unrealized potential. This way TCG can increase the value of the investment and get higher rental fees.

Given TCG's current financial state (*Appendix E*), two duplexes and one condo do not generate enough net cash flow to be able to purchase the next property. TCG would have to raise capital from current investors and/or new investors for new acquisitions.

In order to make an intelligent investment decision, TCG must calculate the net present value (NPV) of the investment. NPV is an indicator of how much value an investment adds to the company. It is the present value of future cash flows minus the present value of the cost of the investment (Ross, Westerfield, Jaffe, & Jordan, 2009). Since future property purchases, and therefore future payments, are made in the future, they are discounted to reflect the time value of money and other factors such as investment risk. This NPV was calculated using a discount rate of 8%. For example, TCG buys a duplex for \$130,000 dollars in 2013 as shown in *Appendix F*, the NPV of this

investment would be \$53,127. This project would represent a valid investment opportunity.

As shown in *Appendix F*, TCG has negative net earnings for the first 15 years. This allows the company to accrue a tax loss which can be carried forward and applied to future earnings. This allows the company to operate at a loss so that taxes can be minimized. The accrued tax loss could allow the company to avoid tax payments until the property is sold.

Appendix G shows the calculation of TCG's expected rental income, investor's contributions, total expenses, and capital investments from 2013 to 2017. If TCG decides to purchase a duplex in 2013, the company would have to raise about \$34,000 dollars to secure a down payment of \$26,000 a renovation budget of \$4000 and end with positive cash flow. On average TCG will need to raise \$33,000 dollars from invertors' contributions to be able to undertake a \$130,000 dollar purchase in 2013 and 2014. If TCG is able to purchase a duplex in 2013 and 2014, its rental income would increase from \$58,770 in 2012 to approximately \$90,000 dollars in 2015. Just like rental income is expected to increase, expenses are expected to increase as well. Therefore, during the next five years, invertors' contributions will be critical for TCG's growth.

3.2.2 Scenario 2: Hiring a Property Management Company

The incentive to hire subcontractors is either to reduce costs, mitigate project risks or because a company cannot do the work in-house. However, hiring a property service provider would affect TCG's bottom line. The prices and fee structures used by property

management companies vary company to company (Lederer, 2009). In general, it is safe to expect a service fee of 5 to 12 percent of the total rental income with some additional fees upon request. Charges vary depending on the market conditions in the area, age of the home, and number of units. *Table 2* shows some examples of property management full-service and a-la-carte service providers from Texas.

Table 2: Property Management Companies in Texas (RentList.com, 2012)

Full Property Management Service Providers	Fee Options
Propertymanagementpros.com	Flat fee
Leap Property management	5% of the monthly rent
Bristle Properties	Variable percentage or flat fee

A la Carte Property Management Service Provider	Fee Options
Ambassador Residential Property Management	Offer maintenance services for non-managed properties for a set-up fee and 15% fee of repairs

Table 3 summarizes a list of services provided by full-service property management companies. Outsourcing all property management processes may sound like a great idea since TCG's property manager would not have to do the work. However, for TCG outsourcing does not make financial sense (at least not in the next five years). Assuming that TCG hires a service provider with a 5% service fee, the cheapest rate available, TCG would expect to spend \$4,000 to \$5,000 dollars per year (*Appendix H*). To put it in perspective, \$4,000 to \$5,000 dollars is TCG's total budget for vacancies and about 60% of the budget for repairs per year. With this service, TCG's cash flows would be low or negative in the next five years. For that reason, it is not advisable for TCG to a

hire a property management service provider to perform all property management tasks. Moreover, by 2015 TCG is expecting to have a total of 9 rental units, and TCG's property manager should be able to manage 9 rental units even without the implementation of an online tool.

Table 3: Services provided by property management companies (Rentlist.com, 2012)

Property Management Full-Service Provider	
<ul style="list-style-type: none"> - Complete lease process. This includes the whole process from beginning to end. Negotiations, contract execution, landlord-tenant relationship and tenant replacement. - Tenant credit and background screening. - Provide monthly and annual financial reports. - Track charges and invoice tenants. 	<ul style="list-style-type: none"> - Manage maintenance and repairs. Including regular inspections and preventative maintenance processes. - Supervise and manage contractors/vendors.. Including oversee improvements and renovations for the full duration of the lease. - Collect rent payments. Based on the terms of the lease, the property management company would take care of collecting rent and late fees, and would track any tenant deposits.

3.2.3 Scenario 3: Online Property Management System

The development and implementation of TCGP would require an capital investment of \$5,000. While TCGP would offer organization and about 40% time reduction to administrative tasks, it is important to consider that TCG's property manager can commit up to 10 hours a week in managing properties. As stated in Chapter 2, today the property manager expects to work 4 hours a week managing a total of five rental units. Thus, in theory TCG could wait to implement TCGP at least until it doubles the number of rental units. However, the implementation of TCGP not only will help reduce time spent, it will also reduce process variation on how the process is performed. Consequently, TCG would have better processes, quality services, documentation, and reporting.

Assuming the company decides to buy the two investment properties assessed in scenario 1, TCG would not have the funds to invest in TCGP until 2015 or 2016. If TCG decided to invest in TCGP in 2016, TCG would not have to significantly increase its current investors' contributions (*Appendix I-A*). The cash flow would be slightly negative would recover in the following year.

Since TCG does not have the funds to invest in TCGP. TCG's investors will most likely contribute capital for TCGP. An option is to phase TCGP's development and implementation in two years. For example, if the implementation of TCGP starts in 2015, TCG's investors would have to contribute about \$4,000. As shown in *Appendix I-B*, this contribution will allow a capital investment of \$2,000 (for TCGP) and a positive cash

flow in 2015. Investors will not have to contribute additional capital in 2016 and TCG would expect to have slightly higher positive cash flows in 2016 and 2017.

Chapter 4: Results and Recommendations

A lean business structure will allow TCG to streamline property management processes, minimize wasteful activities, and improve business productivity. Based on TCG's process analysis and improvement plan, the implementation of Lean principles will provide the following benefits:

- Achieve process definition: TCG's property management process map helps visualize the steps and to understand inputs and outputs of each activity.

Process mapping unveiled areas for improvement opportunities such as process variation, time-consuming tasks, and redundant procedures.

- Gain efficiency based on optimizing flow: TCG's optimized process will allow the company to manage at least one additional rental unit per year and increase TCG's property manager's personal productivity.
- Increase services quality: The implementation of a standard (and optimized) process flow will reduce variation in how a task is executed and in how long it takes to perform.
- Maintain a continuous process improvement plan: TCG will review activities and processes frequently. Process evaluations will help the property manager validate the existing process and look for improvement opportunities.

Based on TCG's property management process improvement opportunities stated in Chapter 2 and the different financial scenarios presented in Chapter 3, TCG should be

able to purchase two more duplexes should they have the money required for the investment. TCG would have to raise capital from current investors and/or new investors for new acquisitions and future investments. If TCG expects to manage 7 to 9 distinct units by 2017, the recommendation is to invest in TCGP in phases starting in 2016 or 2017. This way, TCG most likely would not have to increase investor's contributions.

TCG will have negative net earnings for the first 15 years. This allows the company to accrue a tax loss which can be carried forward and applied to future earnings. This allows the company to operate at a loss so that taxes can be minimized. The accrued tax loss could allow the company to avoid tax payments until the property is sold.

During the next 5 years, TCG's property manager can follow the optimized process (*future process flow shown in Appendix D*) without an online tool. The property manager would benefit from having a defined standard process even without the time reduction opportunities provided by TCGP.

Today TCG's property manager works 4 hours a week managing a total of five rental units. In the immediate future, the property manager is available to work up to 10 hours per week. Thus, in theory TCG could wait to implement TCGP at least until it doubles the number of rental units. However, it is important to consider that the implementation of TCGP not only will help reduce time spent, it will also reduce process variation on how the process is performed. As a result, TCG would have better processes, quality services, documentation, and reporting.

Reducing the time it takes to finish an activity is one of the most effective ways to eliminate waste. Technology and the automation of a process can increase productivity

by reducing the time taken to perform administrative tasks. Since increased productivity will keep TCG from outsourcing the work to a property management service provider this is a compelling reason for TCG to invest in the implementation of TCGP. Based on TCG's financial and process analysis, it is not advisable or necessary to outsource to a full-service provider over the next five years. The best option for TCG is to continue outsourcing just the tasks that are already managed by a property management service provider.

Conclusions

TCG's current property management processes lack structure and consistency resulting in inefficient and unreliable business processes. Therefore, its property management operation should seek to go through a lean transformation to simplify and increase productivity.

Lean principles focus on improving the performance and effectiveness of an organization by improving process flow, eliminating non-value added activities, and reducing time spent. The main objective of implementing lean processes is to *“take the organization from its current status quo to an optimized target state, and to implement it in its day-to-day basis”* (Wiegand & Franck, 2006).

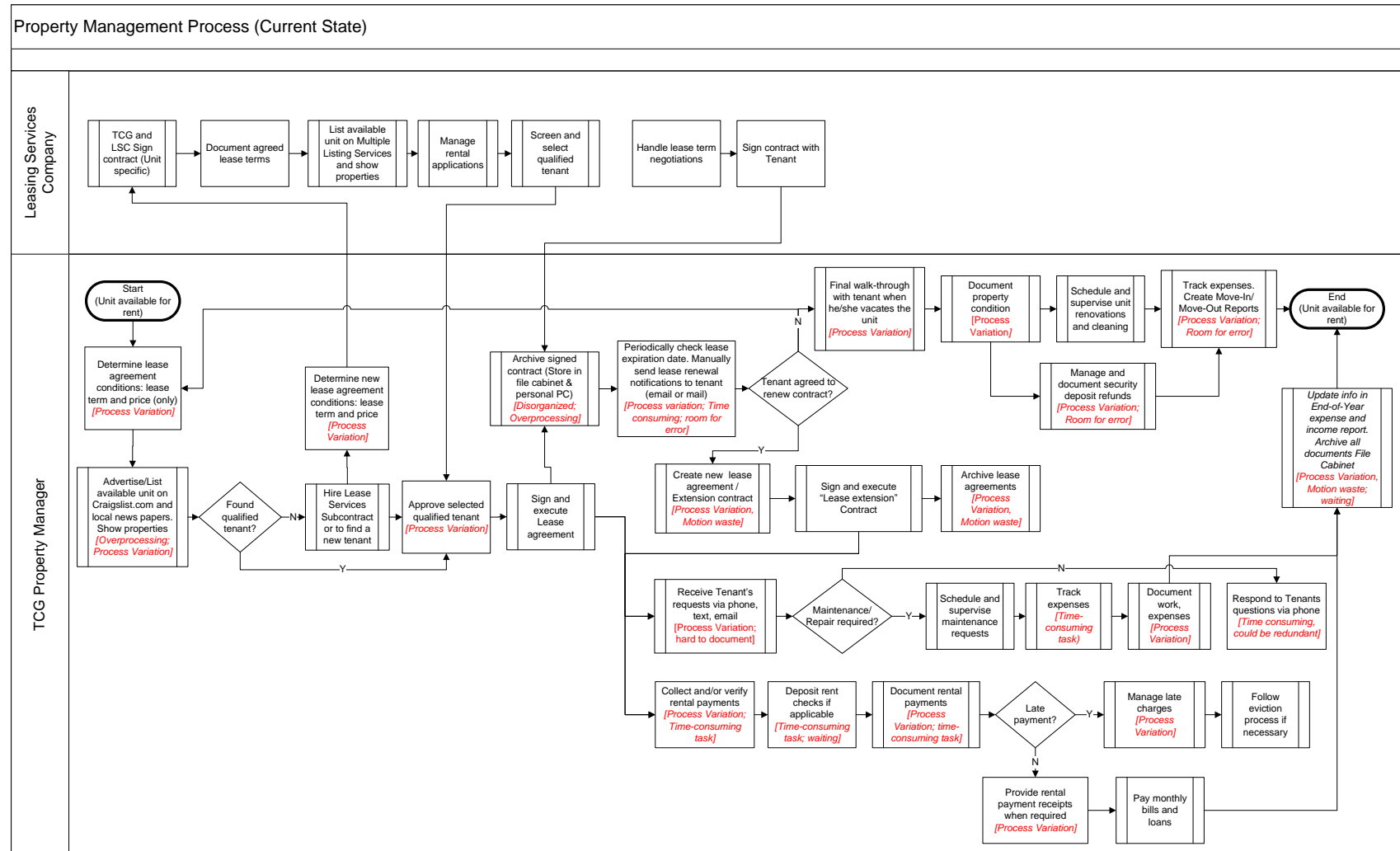
TCG's current property management process flow and activity structure analysis unveiled areas for improvement opportunities such as process variation, time-consuming tasks, and redundant procedures. This detailed process information provided the foundation to develop an optimized process based on lean principles. TCG's optimized property management process flow simplifies routine procedures and increases TCG's property manager's personal productivity.

The implementation of lean processes is a continuous journey. It is important to assess business processes on a regular basis to determine progress. The gaps found in the assessment are the process improvement opportunities that the organization needs to work on next.

Understanding TCG's current financial situation and evaluating different financial scenarios allows TCG to make educated decisions in terms of cost and value to the company. The financial analysis results indicate that TCG would have to raise capital from current investors and/or new investors for new acquisitions and future capital investments. At this point TCG should wait to implement TCGP until it doubles the number of rental units and should not outsource the work to a property management full service provider.

Appendices

Appendix A: TCG current state process flow



Appendix B: TCG activity structure analysis

Results:

Total hours per year = 190.385
Total hours per week = 3.66125

No.	Type of activity	Activity	Owner	Business Occurrence Category	Task Duration (Hours)	Frequency	Time expend per year (hours)	Process Improvement Opportunity?
1	S	Hire Lease Services Company	TCG PM	Business Operations	0.65	5	3.25	
2	C	List available/vacant unit on craigslist.com and local news paper	TCG PM	Marketing	0.17	5	0.85	Opportunity
3	C	Determine lease agreement conditions - lease period, price, payment structure, pet agreement, etc.	TCG PM	Business Operations	0.32	5	1.60	Opportunity
4	C	Establish market rental monthly value	TCG PM	Business Operations	0.15	5	0.75	
5	S	Document agreed lease term conditions	PMSP	Admin. and Documentation	n/a	n/a		
6	C	List available unit on Multiple Listing Service (including MLS)	PMSP	Marketing	n/a	n/a		Opportunity
7	S	Set up yard sign	PMSP	Marketing	n/a	n/a		
8	S	Property showings	PMSP	Marketing	n/a	n/a		Opportunity
9	S	Manage rental applications	PMSP	Business Operations	n/a	n/a		
10	C	Perform a four-point background check on each applicant	PMSP	Business Operations	n/a	n/a		
11	C	Find and select qualified Tenants	PMSP	Business Operations	n/a	n/a		
12	C	Approve selected qualified tenant	TCG PM	Business Operations	0.22	5	1.08	Opportunity
13	S	Handling lease negotiations	PMSP	Business Operations	n/a	n/a		
14	C	Sign lease agreement with Tenant	PMSP	Business Operations	n/a	n/a		
15	C	Sign and execute Lease Agreement	TCG PM	Business Operations	0.98	5	4.90	
16	O	Archive and maintain Lease Agreements	TCG PM	Admin. and Documentation	0.50	5	2.48	Opportunity
17	S	Take pictures of vacant prior to tenant occupying space	TCG PM	Admin. and Documentation	0.36	2	0.72	Opportunity
18	S	Document and archive property condition (photos) prior to tenant occupying space	TCG PM	Admin. and Documentation	0.22	10	2.20	Opportunity

Appendix B Continuation

No.	Type of activity	Activity	Owner	Business Occurrence Category	Task Duration (Hours)	Frequency	Time expend per year (hours)	Process Improvement Opportunity?
19	C	Move-in date walk through with Tenant	TCG PM	Business Operations	0.76	10	7.60	
20	O	Regular communication with tenants - general information	TCG PM	Communication	0.09	35	3.03	Opportunity
21	C	Inform tenant of HOA Rules if applicable	TCG PM	Communication	0.25	1	0.25	Opportunity
22	C	Collect and verify rental payments from Tenants	TCG PM	Business Operations	0.09	60	5.25	
23	C	Deposit rent checks	TCG PM	Business Operations	0.26	18	4.73	
24	C	Track and manage late charges	TCG PM	Admin. and Documentation	0.39	4	1.55	Opportunity
25	S	Provide rental payment receipts when required	TCG PM	Admin. and Documentation	0.06	8	0.50	Opportunity
26	C	Manage and validate loan payments (Auto-Pay)	TCG PM	Admin. and Documentation	0.16	36	5.70	
27	C	Receive and manage Tenant's maintenance/repair requests (via Phone, Email, Text)	TCG PM	Business Operations	0.28	63	17.64	Opportunity
28	C	Schedule maintenance repairs	TCG PM	Maintenance and Repair	0.29	25	7.17	
29	C	Supervise maintenance repairs (includes transit time if applicable)	TCG PM	Maintenance and Repair	0.86	25	21.58	
30	S	Track overall operating expenses	TCG PM	Admin. and Documentation	0.16	25	4.00	Opportunity
31	C	Pay all bills pertaining to the properties maintenance	TCG PM	Admin. and Documentation	0.09	25	2.17	
32	O	Manage relationship / communication with Leasing Services Company and Vendors	TCG PM	Communication	0.18	75	13.13	
33	O	End of year operation expenses report	TCG PM	Admin. and Documentation	0.64	1	0.64	Opportunity

Legend: TCG Property Manager (TCG PM); Property Management Service Provider (PMSP)

Appendix B Continuation

No.	Type of activity	Activity	Owner	Business Occurrence Category	Task Duration (Hours)	Frequency	Time expend per year (hours)	Process Improvement Opportunity?
34	O	End of year rental income report	TCG PM	Admin. and Documentation	0.26	1	0.26	Opportunity
35	S	Continually assess the tenants' satisfaction as regards the property's amenities	TCG PM	Business Operations	0.06	5	0.28	Opportunity
36	S	Drive-by inspections, inspection as necessary or by request	TCG PM	Business Operations	0.72	8	5.77	
37	C	Manage Renewal leases (Track dates, send out notifications, set up new lease agreement as applicable)	TCG PM	Business Operations	0.54	5	2.72	Opportunity
38	C	Revise and update lease agreement to be consistent with enforcement of regulations (applicable for all new leases)	TCG PM	Admin. and Documentation	1.21	2	2.42	Opportunity
39	C	Final walk-through when tenant vacates	TCG PM	Business Operations	1.32	5	6.58	
40	S	Document and archive property condition (photos) after tenant moves out	TCG PM	Admin. and Documentation	0.58	5	2.90	Opportunity
41	C	Handle security deposit refunds	TCG PM	Business Operations	0.64	5	3.19	Opportunity
42	O	Move-In and Move-Out Reports (Property specific)	TCG PM	Admin. and Documentation	0.23	5	1.15	Opportunity
43	C	Manage (schedule and supervise) and document unit renovations (when unit becomes vacant)	TCG PM	Maintenance and Repair	5.44	5	27.22	
44	S	Arrange for the tenant to be removed when necessary using the eviction courts system	TCG PM	Business Operations	120.00	0.2	24.00	
45	O	Archive Tenant's documentation (Move to Inactive documentation status)	TCG PM	Admin. and Documentation	0.23	5	1.13	Opportunity

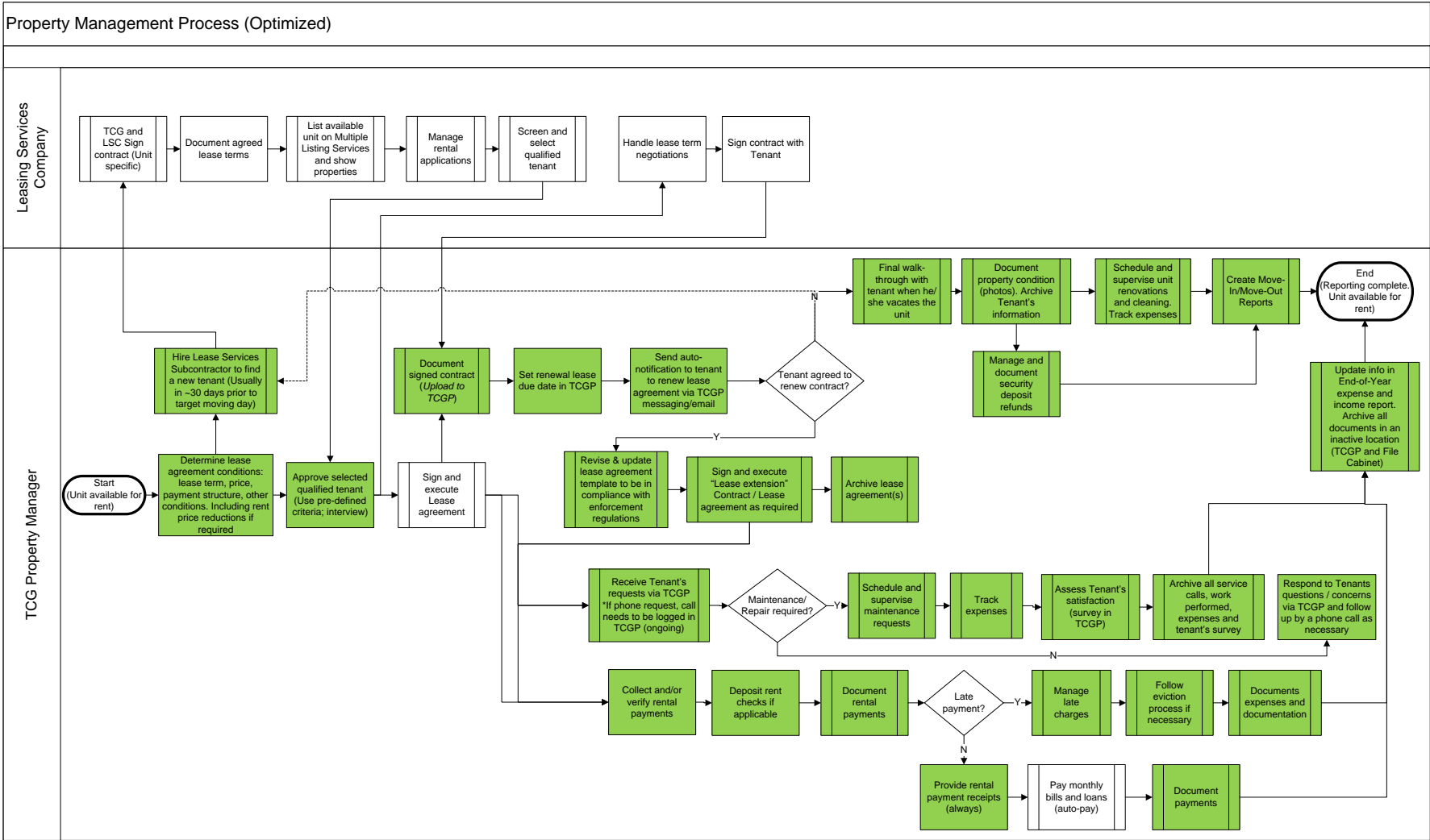
Legend: TCG Property Manager (TCG PM); Property Management Service Provider (PMSP)

Appendix C: Process Improvement Opportunities with TCGP

Property Manager's Duties required by Law (Rentlaw.com, 2012)	TCGP Process Improvement Opportunity
a) Clean and maintain common areas.	Track cleaning/maintenance history and expenses in TCGP.
b) Provide for well-lit hallways and entryways.	<ul style="list-style-type: none"> Document condition of hallways and entryways in TCGP. Track changes/repairs and expenses.
c) Make the house or apartment comply with all building, housing, and health codes which significantly affect health and safety.	<ul style="list-style-type: none"> Document and archive property's current state Track changes made to comply with health and safety regulations.
d) Provide adequate locks and keys of the house.	Track/document lock rekey and move-in dates in TCGP.
e) Make sure the property is clean and safe from insects, rodents, and other pests before the tenant moves in. Control infestation in the unit even after the tenant has moved in.	<ul style="list-style-type: none"> Track inspections and pest control service dates in TCGP. Allow Tenant to access this information online.
f) Provide smoke detectors and ensure that they are of good quality and in good working condition. Tenants are not responsible for maintenance of smoke detectors.	Track inspections, repairs, and reporting in TCGP.
g) Provide for properly working plumbing and heating. Hot and cold running water, bathroom, shower or tub, and kitchen	Track inspections, repairs, and reporting in TCGP.
h) Maintain and repair the premises according to the lease contract.	<ul style="list-style-type: none"> Tenant can submit a repair request via TCGP. Track repair requests, status, costs, and history in TCGP. Ability to create maintenance/repair reports as needed.

i) Give tenant at least 24 hours notice before entering the apartment.	<ul style="list-style-type: none"> • Ability to send notifications from TCGP to tenant's email. Tenant may approve or decline visit in TCGP. • Track and archive all notifications in TCGP. <p>Note: Written notification should be followed by a phone call.</p>
j) Notify tenants of violations in writing.	<ul style="list-style-type: none"> • Notification procedure included in TCGP. • Manager will be able to send notifications via TCGP. • Track and archive all notifications in TCGP. For example, late charges notifications.
k) Provide information on tenant's security deposit as required by law. And, return tenant's security deposit as required by law.	<ul style="list-style-type: none"> • Documentation included in TCGP • Track and document returned security deposit amounts and itemized deductions.
l) Provide tenant with emergency contact and name of address of landlord for notices and to send rental payments.	<ul style="list-style-type: none"> • Notification procedure included in TCGP • Emergency contact information available online.
m) For eviction, the landlord must follow the eviction laws of the state.	Eviction notification procedure included in TCGP.
n) Provide written receipts for rent and deposits.	<ul style="list-style-type: none"> • Ability to send invoice and receipt notifications via TCGP. • Track notifications and payments online.
o) The landlord or landlord's representative should perform a walkthrough when the tenant moves in and when the tenant leaves, and it should be documented and agreed to by both tenant and landlord.	<ul style="list-style-type: none"> • Documentation process included in TCGP. • Track and archive move-in and move-out reports in TCGP.

Appendix D: TCG optimized process flow



Appendix E: TCG Current Financial State

	2012			
	Q1	Q2	Q3	Q4
Starting Cash	\$ 14,825.40	\$ 7,544.26	\$ 7,968.94	\$ 9,143.62
Income				
Rent				
Duplex 1 Unit A	\$ 2,275.00	\$ 2,325.00	\$ 2,325.00	\$ 2,325.00
Duplex 1 Unit B	\$ 2,280.00	\$ 2,330.00	\$ 2,355.00	\$ 2,355.00
Duplex 2 Unit A	\$ 3,150.00	\$ 3,150.00	\$ 3,150.00	\$ 3,150.00
Duplex 2 Unit B	\$ 3,450.00	\$ 3,450.00	\$ 3,450.00	\$ 3,450.00
Condo	\$ 3,450.00	\$ 3,450.00	\$ 3,450.00	\$ 3,450.00
Sub Total	\$ 14,605.00	\$ 14,705.00	\$ 14,730.00	\$ 14,730.00
Investor Contributions				
Investor A - Owner	\$ -	\$ -	\$ -	\$ -
Investor B - Owner	\$ 375.00	\$ 375.00	\$ 375.00	\$ 375.00
Investory C - Owner	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00
Investor D	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Investor E	\$ (2,750.00)	\$ (750.00)	\$ (1,500.00)	\$ (750.00)
Investor F	\$ 375.00	\$ 375.00	\$ 375.00	\$ 375.00
Sub Total	\$ (950.00)	\$ 1,050.00	\$ 300.00	\$ 1,050.00
Total Income	\$ 13,655.00	\$ 15,755.00	\$ 15,030.00	\$ 15,780.00
Expenses				
Mortgage				
Duplex 1	\$ 3,120.00	\$ 3,120.00	\$ 3,120.00	\$ 3,120.00
Duplex 2	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00
Condo 1	\$ 1,314.15	\$ 1,314.15	\$ 1,314.15	\$ 1,314.15
Sub Total	\$ 9,234.15	\$ 9,234.15	\$ 9,234.15	\$ 9,234.15
Taxes				
Duplex 1	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00
Duplex 2	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00
Condo 1	\$ 604.50	\$ 604.50	\$ 604.50	\$ 604.50
Sub Total	\$ 2,254.50	\$ 2,254.50	\$ 2,254.50	\$ 2,254.50
Insurance				
Duplex 1	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Duplex 2	\$ 286.77	\$ 286.77	\$ 286.77	\$ 286.77
Condo 1	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00
Sub Total	\$ 571.77	\$ 571.77	\$ 571.77	\$ 571.77
Other Expenses				
HOA Fee Condo 1	\$ 630.00	\$ 630.00	\$ 630.00	\$ 630.00
Vacancy Allowance	\$ 730.25	\$ 735.25	\$ 736.50	\$ 736.50
Repair Allowance	\$ 1,168.40	\$ 1,176.40	\$ 1,178.40	\$ 1,178.40
Sub Total	\$ 2,528.65	\$ 2,541.65	\$ 2,544.90	\$ 2,544.90
Property Purchases	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ 7,500.00	\$ -	\$ -	\$ -
Total Expense	\$ 22,089.07	\$ 14,602.07	\$ 14,605.32	\$ 14,605.32
Net Change in Cash	\$ (8,434.07)	\$ 1,152.93	\$ 424.68	\$ 1,174.68
Ending Cash	\$ 6,391.33	\$ 8,697.19	\$ 8,393.62	\$ 10,318.30

Appendix F: Property Purchase NPV

Year	1	...	5	...	10	...	15	...	20	...	25
Income											
Rent	\$ 14,400.00		\$ 14,400.00		\$ 16,800.00		\$ 19,200.00		\$ 21,600.00		\$ 24,000.00
Expense											
Mortgage	\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00
Interst	\$3,325.63		\$5,380.61		\$4,842.20		\$4,133.83		\$3,201.81		\$1,975.56
Principal	\$807.88		\$1,705.40		\$2,243.80		\$2,952.18		\$3,884.19		\$5,110.45
Balance	\$103,192.12		\$96,897.70		\$86,814.50		\$73,548.00		\$56,093.22		\$33,127.90
Misc Expense (8%)	\$1,152.00		\$1,152.00		\$1,344.00		\$1,536.00		\$1,728.00		\$1,920.00
Total Expense	\$12,240.00		\$12,240.00		\$12,432.00		\$12,624.00		\$12,816.00		\$13,008.00
EBITDA	\$ 2,160.00		\$ 2,160.00		\$ 4,368.00		\$ 6,576.00		\$ 8,784.00		\$ 10,992.00
Depreciation Exp	\$1,806		\$3,333		\$3,333		\$3,333		\$3,333		\$3,333
Interest	\$3,325.63		\$5,380.61		\$4,842.20		\$4,133.83		\$3,201.81		\$1,975.56
Pre Tax Earnings	\$ (2,971.63)		\$ (6,553.61)		\$ (3,807.20)		\$ (890.83)		\$ 2,249.19		\$ 5,683.44
Tax	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -
Net Earnings (EAT)	\$ (2,971.63)		\$ (6,553.61)		\$ (3,807.20)		\$ (890.83)		\$ 2,249.19		\$ 5,683.44
Accrued Tax Liability	\$ (2,971.63)		\$ (29,713.24)		\$ (49,885.07)		\$ (55,833.61)		\$ (46,553.85)		\$ (20,723.56)
Cash Analysis											
Rent	\$ 14,400.00		\$ 14,400.00		\$ 16,800.00		\$ 19,200.00		\$ 21,600.00		\$ 24,000.00
- Mortgage	\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00		\$ 11,088.00
- Misc Exp	\$1,152.00		\$1,152.00		\$1,344.00		\$1,536.00		\$1,728.00		\$1,920.00
-Taxes	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -
Net Cash	\$ 2,160.00		\$ 2,160.00		\$ 4,368.00		\$ 6,576.00		\$ 8,784.00		\$ 10,992.00
Discount	8%		8%		8%		8%		8%		8%
	\$ 2,000.00		\$ 1,470.06		\$ 2,023.23		\$ 2,073.03		\$ 1,884.59		\$ 1,605.03
NPV of Cash Flows	\$ 53,127.58										
Total Return											
Cash	\$ 2,160.00		\$ 2,160.00		\$ 4,368.00		\$ 6,576.00		\$ 8,784.00		\$ 10,992.00
Equity	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -
Total	\$ 2,160.00		\$ 2,160.00		\$ 4,368.00		\$ 6,576.00		\$ 8,784.00		\$ 10,992.00
Discount	8%		8%		8%		8%		8%		8%
	\$ 2,000.00		\$ 1,470.06		\$ 2,023.23		\$ 2,073.03		\$ 1,884.59		\$ 1,605.03
NPV	\$ 53,127.58										

Purchase Price	\$130,000.00
% Down Payment	20%
Down Payment	\$ 26,000.00
Loan Amount	\$104,000.00
Interest Rate	5.75%
Mortgage (monthly)	\$ 924.00
Rental Income (monthly)	\$ 1,200.00

Appendix G: Future Property Purchases

Year	2013	2014	2015	2016	2017
Starting Cash	\$ 10,318.30	\$ 13,821.52	\$ 8,746.97	\$ 7,257.28	\$ 12,179.73
Income					
Rent					
Duplex 1	\$ 18,755.70	\$ 18,943.26	\$ 19,132.69	\$ 19,324.02	\$ 19,517.26
Duplex 2 Unit A	\$ 26,664.00	\$ 26,930.64	\$ 27,199.95	\$ 27,471.95	\$ 27,746.67
Condo	\$ 13,938.00	\$ 14,077.38	\$ 14,218.15	\$ 14,360.34	\$ 14,503.94
Property Purchases 1	\$ 7,200.00	\$ 14,400.00	\$ 14,544.00	\$ 14,689.44	\$ 14,836.33
Property Purchases 2	\$ -	\$ 7,200.00	\$ 14,400.00	\$ 14,544.00	\$ 14,689.44
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 66,557.70	\$ 81,551.28	\$ 89,494.79	\$ 90,389.74	\$ 91,293.64
	\$ 7,787.70	\$ 14,993.58	\$ 7,943.51	\$ 894.95	\$ 903.90
Investor Contributions					
Current Investors (5)	\$ 8,100.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00
Investor payouts (1)	\$ (5,750.00)	\$ (5,750.00)	\$ (5,750.00)	\$ -	\$ -
Increase Current Investors	\$ 7,000.00	\$ 3,000.00	\$ -	\$ -	\$ -
Future Investor(s)	\$ 25,000.00	\$ 25,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Sub Total	\$ 34,350.00	\$ 32,450.00	\$ 7,450.00	\$ 13,200.00	\$ 13,200.00
Total Income	\$100,907.70	\$114,001.28	\$ 96,944.79	\$103,589.74	\$104,493.64
Expenses					
Mortgage					
Duplex 1	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00
Duplex 2	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00
Condo 1	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60
Property Purchases 1	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 2	\$ -	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Property Purchases 4	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 42,480.60	\$ 53,568.60	\$ 59,112.60	\$ 59,112.60	\$ 59,112.60
Taxes + Insurance					
Duplex 1	\$ 3,636.00	\$ 3,672.36	\$ 3,709.08	\$ 3,746.17	\$ 3,783.64
Duplex 2	\$ 4,794.47	\$ 4,842.41	\$ 4,890.84	\$ 4,939.75	\$ 4,989.14
Condo 1	\$ 2,987.58	\$ 3,017.46	\$ 3,047.63	\$ 3,078.11	\$ 3,108.89
Property Purchases 1	\$2,333.33	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Property Purchases 2	\$ -	\$2,333.33	\$4,000.00	\$4,000.00	\$4,000.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 13,751.38	\$ 17,865.56	\$ 19,647.55	\$ 19,764.03	\$ 19,881.67
Other Expenses					
HOA Fees	\$ 2,520.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00
Vacancy Allowance (5%)	\$ 3,327.89	\$ 4,077.56	\$ 4,474.74	\$ 4,519.49	\$ 4,564.68
Repair Allowance (8%)	\$ 5,324.62	\$ 6,524.10	\$ 7,159.58	\$ 7,231.18	\$ 7,303.49
Sub Total	\$ 11,172.50	\$ 15,641.67	\$ 16,674.32	\$ 16,790.67	\$ 16,908.17
Property Purchases 1	\$ 26,000.00	\$ -	\$ -	\$ -	\$ -
Property Purchases 2	\$ -	\$ 26,000.00	\$ -	\$ -	\$ -
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ 4,000.00	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Total Expense	\$ 97,404.48	\$119,075.83	\$ 98,434.48	\$ 98,667.29	\$ 98,902.44
Net Change in Cash	\$ 3,503.22	\$ (5,074.55)	\$ (1,489.69)	\$ 4,922.44	\$ 5,591.19
Ending Cash	\$ 13,821.52	\$ 8,746.97	\$ 7,257.28	\$ 12,179.73	\$ 17,770.92

Appendix H: Property Management Service Provider Analysis

Year	2013	2014	2015	2016	2017
Starting Cash	\$ 10,318.30	\$ 10,493.63	\$ 1,341.52	\$ (4,740.98)	\$ (4,693.45)
Income					
Rent					
Duplex 1	\$ 18,755.70	\$ 18,943.26	\$ 19,132.69	\$ 19,324.02	\$ 19,517.26
Duplex 2 Unit A	\$ 26,664.00	\$ 26,930.64	\$ 27,199.95	\$ 27,471.95	\$ 27,746.67
Condo	\$ 13,938.00	\$ 14,077.38	\$ 14,218.15	\$ 14,360.34	\$ 14,503.94
Property Purchases 1	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 2	\$ -	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 66,557.70	\$ 81,551.28	\$ 89,350.79	\$ 89,956.30	\$ 90,567.86
Investor Contributions					
Current Investors (5)	\$ 8,100.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00
Investor payouts (1)	\$ (5,750.00)	\$ (5,750.00)	\$ (5,750.00)	\$ -	\$ -
Increase Current Investors	\$ 7,000.00	\$ 3,000.00	\$ -	\$ -	\$ -
Future Investor(s)	\$ 25,000.00	\$ 25,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Sub Total	\$ 34,350.00	\$ 32,450.00	\$ 7,450.00	\$ 13,200.00	\$ 13,200.00
Total Income	\$100,907.70	\$114,001.28	\$ 96,800.79	\$103,156.30	\$103,767.86
Expenses					
Mortgage					
Duplex 1	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00
Duplex 2	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00
Condo 1	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60
Property Purchases 1	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 2	\$ -	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Property Purchases 4	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 42,480.60	\$ 53,568.60	\$ 59,112.60	\$ 59,112.60	\$ 59,112.60
Taxes + Insurance					
Duplex 1	\$ 3,636.00	\$ 3,672.36	\$ 3,709.08	\$ 3,746.17	\$ 3,783.64
Duplex 2	\$ 4,794.47	\$ 4,842.41	\$ 4,890.84	\$ 4,939.75	\$ 4,989.14
Condo 1	\$ 2,987.58	\$ 3,017.46	\$ 3,047.63	\$ 3,078.11	\$ 3,108.89
Property Purchases 1	\$2,333.33	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Property Purchases 2	\$ -	\$2,333.33	\$4,000.00	\$4,000.00	\$4,000.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 13,751.38	\$ 17,865.56	\$ 19,647.55	\$ 19,764.03	\$ 19,881.67
Other Expenses					
HOA Fees	\$ 2,520.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00
Vacancy Allowance (5%)	\$ 3,327.89	\$ 4,077.56	\$ 4,467.54	\$ 4,497.81	\$ 4,528.39
Repair Allowance (8%)	\$ 5,324.62	\$ 6,524.10	\$ 7,148.06	\$ 7,196.50	\$ 7,245.43
Property Management Service Provider Fee (5%)	\$ 3,327.89	\$ 4,077.56	\$ 4,467.54	\$ 4,497.81	\$ 4,528.39
Sub Total	\$ 14,500.39	\$ 19,719.23	\$ 21,123.14	\$ 21,232.13	\$ 21,342.21
Property Purchases 1	\$ 26,000.00	\$ -	\$ -	\$ -	\$ -
Property Purchases 2	\$ -	\$ 26,000.00	\$ -	\$ -	\$ -
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ 4,000.00	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Total Expense	\$100,732.37	\$123,153.39	\$102,883.29	\$103,108.76	\$103,336.48
Net Change in Cash	\$ 175.33	\$ (9,152.11)	\$ (6,082.51)	\$ 47.54	\$ 431.38
Ending Cash	\$ 10,493.63	\$ 1,341.52	\$ (4,740.98)	\$ (4,693.45)	\$ (4,262.07)

Appendix I-A: TCGP Investment

Year	2013	2014	2015	2016	2017
Starting Cash	\$ 10,318.30	\$ 13,821.52	\$ 8,746.97	\$ 2,132.00	\$ 6,677.35
Income					
Rent					
Duplex 1	\$ 18,755.70	\$ 18,943.26	\$ 19,132.69	\$ 19,324.02	\$ 19,517.26
Duplex 2 Unit A	\$ 26,664.00	\$ 26,930.64	\$ 27,199.95	\$ 27,471.95	\$ 27,746.67
Condo	\$ 13,938.00	\$ 14,077.38	\$ 14,218.15	\$ 14,360.34	\$ 14,503.94
Property Purchases 1	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 2	\$ -	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 66,557.70	\$ 81,551.28	\$ 89,350.79	\$ 89,956.30	\$ 90,567.86
Investor Contributions					
Current Investors (5)	\$ 8,100.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00
Investor payouts (1)	\$ (5,750.00)	\$ (5,750.00)	\$ (5,750.00)	\$ -	\$ -
Increase Current Investors	\$ 7,000.00	\$ 3,000.00	\$ -	\$ -	\$ -
Future Investor(s)	\$ 25,000.00	\$ 25,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Sub Total	\$ 34,350.00	\$ 32,450.00	\$ 7,450.00	\$ 13,200.00	\$ 13,200.00
Total Income	\$ 100,907.70	\$ 114,001.28	\$ 96,800.79	\$ 103,156.30	\$ 103,767.86
Expenses					
Mortgage					
Duplex 1	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00
Duplex 2	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00
Condo 1	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60
Property Purchases 1	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 2	\$ -	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Sub Total	\$ 42,480.60	\$ 53,568.60	\$ 59,112.60	\$ 59,112.60	\$ 59,112.60
Taxes + Insurance					
Sub Total	\$ 13,751.38	\$ 17,865.56	\$ 19,647.55	\$ 19,764.03	\$ 19,881.67
Other Expenses					
HOA Fees	\$ 2,520.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00
Vacancy Allowance (5%)	\$ 3,327.89	\$ 4,077.56	\$ 4,467.54	\$ 4,497.81	\$ 4,528.39
Repair Allowance (8%)	\$ 5,324.62	\$ 6,524.10	\$ 7,148.06	\$ 7,196.50	\$ 7,245.43
Sub Total	\$ 11,172.50	\$ 15,641.67	\$ 16,655.60	\$ 16,734.32	\$ 16,813.82
Property Purchases 1	\$ 26,000.00	\$ -	\$ -	\$ -	\$ -
Property Purchases 2	\$ -	\$ 26,000.00	\$ -	\$ -	\$ -
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Property Purchases 4	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ 4,000.00	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
TCGP Investment		\$ -	\$ 5,000.00		
Total Expense	\$ 97,404.48	\$ 119,075.83	\$ 103,415.76	\$ 98,610.95	\$ 98,808.09
Net Change in Cash	\$ 3,503.22	\$ (5,074.55)	\$ (6,614.97)	\$ 4,545.35	\$ 4,959.77
Ending Cash	\$ 13,821.52	\$ 8,746.97	\$ 2,132.00	\$ 6,677.35	\$ 11,637.12

Appendix I-B: TCGP Investment

Year	2013	2014	2015	2016	2017
Starting Cash	\$ 10,318.30	\$ 13,821.52	\$ 8,746.97	\$ 9,132.00	\$ 10,677.35
Income					
Rent					
Duplex 1	\$ 18,755.70	\$ 18,943.26	\$ 19,132.69	\$ 19,324.02	\$ 19,517.26
Duplex 2 Unit A	\$ 26,664.00	\$ 26,930.64	\$ 27,199.95	\$ 27,471.95	\$ 27,746.67
Condo	\$ 13,938.00	\$ 14,077.38	\$ 14,218.15	\$ 14,360.34	\$ 14,503.94
Property Purchases 1	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 2	\$ -	\$ 7,200.00	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 66,557.70	\$ 81,551.28	\$ 89,350.79	\$ 89,956.30	\$ 90,567.86
Investor Contributions					
Current Investors (5)	\$ 8,100.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00
Investor payouts (1)	\$ (5,750.00)	\$ (5,750.00)	\$ (5,750.00)	\$ -	\$ -
Increase Current Investors	\$ 7,000.00	\$ 3,000.00	\$ 4,000.00	\$ -	\$ -
Future Investor(s)	\$ 25,000.00	\$ 25,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Sub Total	\$ 34,350.00	\$ 32,450.00	\$ 11,450.00	\$ 13,200.00	\$ 13,200.00
Total Income	\$ 100,907.70	\$ 114,001.28	\$ 100,800.79	\$ 103,156.30	\$ 103,767.86
Expenses					
Mortgage					
Duplex 1	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00	\$ 12,480.00
Duplex 2	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00
Condo 1	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60	\$ 5,256.60
Property Purchases 1	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Property Purchases 2	\$ -	\$ 5,544.00	\$ 11,088.00	\$ 11,088.00	\$ 11,088.00
Sub Total	\$ 42,480.60	\$ 53,568.60	\$ 59,112.60	\$ 59,112.60	\$ 59,112.60
Taxes + Insurance					
Sub Total	\$ 13,751.38	\$ 17,865.56	\$ 19,647.55	\$ 19,764.03	\$ 19,881.67
Other Expenses					
HOA Fees	\$ 2,520.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00	\$ 5,040.00
Vacancy Allowance (5%)	\$ 3,327.89	\$ 4,077.56	\$ 4,467.54	\$ 4,497.81	\$ 4,528.39
Repair Allowance (8%)	\$ 5,324.62	\$ 6,524.10	\$ 7,148.06	\$ 7,196.50	\$ 7,245.43
Sub Total	\$ 11,172.50	\$ 15,641.67	\$ 16,655.60	\$ 16,734.32	\$ 16,813.82
Property Purchases 1	\$ 26,000.00	\$ -	\$ -	\$ -	\$ -
Property Purchases 2	\$ -	\$ 26,000.00	\$ -	\$ -	\$ -
Property Purchases 3	\$ -	\$ -	\$ -	\$ -	\$ -
Property Purchases 4	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ 4,000.00	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
TCGP Investment	\$ -	\$ 2,000.00	\$ 3,000.00	\$ -	\$ -
Total Expense	\$ 97,404.48	\$ 119,075.83	\$ 100,415.76	\$ 101,610.95	\$ 98,808.09
Net Change in Cash	\$ 3,503.22	\$ (5,074.55)	\$ 385.03	\$ 1,545.35	\$ 4,959.77
Ending Cash	\$ 13,821.52	\$ 8,746.97	\$ 9,132.00	\$ 10,677.35	\$ 15,637.12

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